

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 1999

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Miami, Florida (the City), located in Miami-Dade County, was incorporated in 1926, and comprises approximately nine square miles. The City operates under the Council - Manager form of government and provides the following services: public safety, public works, sanitation, stormwater management, library, parks and recreation, community planning and development, and water/sewer utility.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

#### 1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a four member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The City's discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. The City's discretely presented component unit has a September 30 year end.

#### *Discretely Presented Component Unit*

The Museum of Contemporary Art, Inc. (MoCA) is a not-for-profit corporation. The City Council has the ability to remove members of the governing board of MoCA for cause. Additionally, MoCA is fiscally dependent upon the City. MoCA is presented in a separate column in the general purpose financial statements. Complete financial statements for MoCA can be obtained directly from their administrative offices: Museum of Contemporary Art, Inc., 770 N.E. 125th Street, North Miami, Florida 33161.

#### *Other Component Unit*

The City of North Miami Health Facilities Authority was created pursuant to state statute to issue special obligation debt for capital improvements on certain health facilities located within and outside the City limits. The debt is supported solely from revenues generated by said facilities and does not constitute an obligation of the City or the Authority. The Authority receives no revenues and makes no disbursements. Because there are no assets, liabilities or results of operations to report, no disclosure other than this description is made.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 1. Reporting Entity (Continued)

#### *Other Component Unit* (Continued)

The North Miami Health Facilities Authority is a component unit because the sole activity in which it engages, i.e., the issuance of revenue bonds to finance health care facilities is subject in each instance to the approval of the City Council. In addition, the City Council is responsible for appointing the members of the Board of the Authority.

### 2. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:

**Governmental funds** are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Taxes, intergovernmental revenues, and interest are susceptible to accrual. Sales taxes collected and held by the State at year end on behalf of the City are also recognized as revenue. Other receipts and fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if susceptible to accrual. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**Governmental Funds** include the following fund types:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The *Debt Service Funds* account for the servicing of general long-term debt not being financed by proprietary funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

*Proprietary Funds* are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or are contradicted by GASB pronouncements. Proprietary funds include the following fund types:

*Enterprise Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. Included therein are the City's water and sewer utility, stormwater utility and solid waste services.

The *Internal Service Funds* are used to account for the financing of goods or services provided by one department to other departments of the City on a cost - reimbursement basis. Each contributing fund is charged a fee in relation to the total estimated liability. Internal service funds consist of the General Risk Management Fund, the Group Health Risk Management Fund, and the Fleet Management Fund. The General Risk Management Fund accounts for self-insurance programs which provide comprehensive general, auto liability and workers' compensation coverage. The Group Health Risk Management Fund accounts for group health and life benefits for the City's employees funded by contributions from the City and its employees. Effective January 1, 1998, the City's self-insured health program was discontinued and the City purchased a fully insured group health/dental plan. Beginning in fiscal year 2000, funds remaining in the Health Insurance Trust Fund will be used to pay the costs of employee health insurance premiums. The Fleet Management Fund operates as a motor pool fund whereby the user department is charged a fee based upon the usage of motor vehicles. Substantially all excess funds are committed to the City's vehicle replacement program.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

##### *Fiduciary Funds*

**Trust Funds** include Expendable Trusts and Pension Trusts and are used to account for assets held by the City in a trustee capacity. Expendable trust funds are accounted for using the same current financial resources measurement focus as governmental funds and the modified accrual basis of accounting. The Law Enforcement Expendable Trust Fund is legally mandated and used to account for revenues from the auction of forfeited vessels, motor vehicles, aircraft, and other personal property, proceeds of which are to be used for certain law enforcement purposes only. The Federal Forfeiture Expendable Trust Fund was created in 1995 to account for confiscated monies from cases involving federal agencies and the City's police department. The Law Enforcement Block Grant Expendable Trust Fund was created in 1997 to account for the City's entitlement under the local law enforcement block grant program. The Pension Trust Funds (CTS Plan and 748 Plan) are used to account for the City's two single-employer defined benefit pension plans covering substantially all of its employees. The Pension Trust Funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting.

**Account Groups.** The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

#### 3. Budgets - Legal Compliance

The City follows these procedures in establishing the budgetary data reflected in the financial statements as follows:

- (1) 35 days prior to fiscal year end, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances. Budgetary control over expenditures, including capital outlay and operating transfers, is legally maintained at the fund level, except for the General Fund which is at the departmental level.
- (2) Two public hearings are conducted to obtain taxpayer comments as required by TRIM legislation.
- (3) Prior to September 28th (unless preempted by TRIM) as stated in the City's Charter, the budget is legally enacted through passage of an ordinance.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3. Budgets - Legal Compliance (Continued)

- (4) Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in all governmental funds. Under generally accepted accounting principles, encumbrances are recognized as reservations of fund balance. The City's budgetary basis includes encumbrances as expenditures. The accompanying financial statements present comparisons of the budget with actual data adjusted to the budgetary basis.
- (5) The City Manager may at any time transfer any unencumbered appropriated balance or portion thereof between general classifications of expenditures within an office, department or agency. At the request of the City Manager and within the last three months of the budget year, the Council may by resolution transfer any unencumbered appropriated balance or portion thereof, from one office, department or agency to another.
- (6) Budgeted amounts are as originally adopted or as amended. No significant revisions to the budget were required in 1999. There were no supplemental appropriations during fiscal year ended September 30, 1999.
- (7) Unencumbered appropriations lapse at year-end.
- (8) The City has legally adopted annual budgets for all governmental funds except for the Refunding and Public Improvement Revenue Certificates 1962-1969 debt service fund.

#### 4. Cash and Short-Term Investments

The City pools substantially all cash and short-term investments, except for cash and investment accounts, which are maintained in accordance with legal requirements. Each fund's equity share of the total pooled cash and short-term investments is included in the accompanying balance sheets under the caption "cash and short-term investments." For reporting purposes only, non-pooled cash is also included in this caption. Short-term investments are reported at cost, which approximates fair value, and consist principally of collateralized overnight repurchase agreements under a contract with a financial institution. The nature of investments is governed by the provisions of Florida Statutes Section 166. Under this statute, authorized investments are limited, unless otherwise authorized by law or ordinance, to the local government surplus funds, trust funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts. Interest income is allocated among the City's funds based upon the approximate proportionate balances of each fund's equity in pooled cash and short-term investments. For purposes of the statement of cash flows, the City's cash and short-term investments are considered to be all highly liquid investments with a maturity of three months or less when purchased. All investments are reported at fair value.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 5. Pension Plan Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price.

Within certain limitations as specified in the Plans, investment policy is determined by the Board of Trustees using the following guidelines:

- Unlimited investments in bonds, notes or other obligations of the United States Government, State of Florida or political subdivision or agencies thereof, preferred stocks and money market investments.
- Investments in common stocks cannot exceed 60% of the total assets of the Plans on a cost basis.
- Investments in corporate bonds must have a minimum of an A rating.

Purchases and sales of securities are recorded on the trade-date basis. As a result, these transactions may at times produce a receivable and/or payable because of the difference between trade and settlement dates. Interest and dividends are recorded as earned.

#### 6. Inventories

Inventories of materials and supplies in the General Fund are recorded as expenditures when purchased (purchase method) and are stated at cost. Inventory in the Proprietary Funds consists of supplies held for consumption and are stated at the lower of cost or market and are recorded as an expense when consumed (consumption method). All inventories are recorded on a first-in, first-out (FIFO) basis.

#### 7. Fixed Assets

All fixed assets of the City are recorded in the General Fixed Assets Account Group, with the exception of fixed assets of the Enterprise Funds (Water and Sewer Utility, Stormwater Utility and Solid Waste Services) and the Internal Service Funds (Fleet Management and Risk Management) which are recorded in the respective funds.

All fixed assets are recorded at historical cost or estimated historical cost, except for contributed property, which is recorded at fair market value at the date of contribution. Capital acquisition costs for governmental funds are segregated as capital outlay expenditures. Expenditures for maintenance, repairs and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as capital outlay. Public domain (infrastructure) general fixed assets consisting of certain improvements, other than buildings, such as bridges and roads, are capitalized together with other general fixed assets.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 7. Fixed Assets (Continued)

Depreciation is not required and has not been provided on general fixed assets. Depreciation expense is provided on property recorded in the Enterprise Funds and the Internal Service Funds using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	10 - 50 years
Machinery and equipment	3 - 10 years
Improvements other than buildings	10 - 50 years

Depreciation expense recognized on assets acquired or constructed through grants, contributed property or contributions in aid of construction is accounted for as a reduction of the related contributed capital balances.

Interest costs associated with proprietary fund borrowings used for construction projects are capitalized during the current period as part of the cost of the assets, net of related interest earned or unexpended portions of such borrowings. No such costs were capitalized in 1999.

#### 8. Compensated Absences

It is the City's policy to permit employees to accumulate within certain limits, earned but unused vacation and sick pay benefits, which will be paid to employees upon separation from City service.

In governmental fund types, the accrual for vacation and sick pay benefits is based upon the estimated amounts to be liquidated with expendable, available resources, which is considered to be the separations occurring within 60 days subsequent to the year end. The long-term portion of the governmental fund liability is recorded in the general long-term debt account group.

The Proprietary Fund types accrue vacation and sick pay benefits in the period in which they are earned.

The City accounts for compensated absences according to the guidelines of GASB No. 16, *Accounting for Compensated Absences*. All liabilities are accrued at rates in effect at the balance sheet date.

#### 9. Amortization of Bond Discount

Bond discount is amortized over the life of the bonds based on the interest method.

#### 10. Grants from Government Agencies

Certain operating grants under various Federal and State programs are included in the governmental type funds. Grant monies received are disbursed by these funds for goods and services as prescribed under the respective grant programs.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 10. Grants from Government Agencies (Continued)

These programs are dependent on the continued financial assistance of the County, State and Federal grantor agencies.

Grants to Enterprise Funds, which are designated as operating subsidies, are recorded as non-operating revenue in the respective funds upon the City's compliance with the eligibility requirements related to the grant. Grants to governmental funds are recorded as intergovernmental revenues when recognized.

Grant revenues received as reimbursements for specific purposes are recognized when the expense or expenditure is incurred. Grant revenues received in advance but not earned are recorded as deferred revenue. Pursuant to each grant's specific requirements, interest earned on advances is either returned to the grantor agency, or used as additional funding for the program.

#### 11. Fund Equity

##### *Reserves*

Reservations of retained earnings of the proprietary funds represent net assets restricted for debt service and capital acquisitions.

Reservations of the governmental funds are those portions of fund balance which are either not available for appropriations or are legally segregated for a specific use.

##### *Designations*

Fund balance designations are established to reflect management's plans for financial resource allocation in a future period. Such plans or intentions are subject to change.

#### 12. Interfund Transactions

Quasi-external transactions are accounted for as fund revenues, expenditures or expenses (as appropriate). All interfund transactions except advances, quasi-external transactions and reimbursements are accounted for as transfers. Non-recurring or non-routine transfers of equity between funds are considered equity transfers. Equity transfers into proprietary funds are recorded as contributed capital. Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables" (current) or "advances" (non-current). All other outstanding balances between funds are reported as "due to/from other funds".

#### 13. Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.



# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 14. Use of Estimates

The accompanying general purpose financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the balance sheet and operations for the year. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the estimated liabilities for dumpsite closing costs and the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

#### 15. Totals (Memorandum Only)

Amounts in the "Totals (Memorandum Only)" columns in the combined financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented for analytical purposes only. The summation includes fund types and account groups that use different bases of accounting and includes interfund transactions that have not been eliminated. Consequently, amounts shown in the "Totals (Memorandum Only)" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City.

#### 16. Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts, presented in the prior year data, have been reclassified in order to be consistent with the current year's presentation.

### NOTE 2. DEPOSITS AND INVESTMENTS

#### *Deposits*

In addition to insurance provided by the Federal Depository Insurance Corporation, all time and demand deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires every qualified public depository to deposit with the Treasurer eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all deposits are deemed as insured or collateralized and are therefore not subject to classification by credit risk category under the provisions of GASB Statement No. 3.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments*

Certain investments are required to be categorized to give an indication of the level of credit risk assumed by the entity at year-end. The three categories of risk as defined by GASB Statement No. 3 are as follows:

- (1) Insured or registered, or securities held by the City or its agent in the City 's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City 's name; and
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City 's name.

	<u>Category 1</u>	<u>Carrying Amount</u>
Repurchase agreements	\$ 9,691,558	\$ 9,691,558
U.S. Government securities	15,513,860	15,513,860
Corporate bonds	12,971,829	12,971,829
Common stocks	<u>53,538,604</u>	<u>53,538,604</u>
	<u>\$91,715,851</u>	91,715,851
Investments not subject to risk categorization:		
Money market mutual fund		<u>3,739,303</u>
Total investments		<u>\$95,455,154</u>
Per the combined balance sheet:		
Cash and short-term investments		\$ 11,833,626
Cash with fiscal agents		8,136
Certificates of deposit		11,550,000
Pension investments		81,181,835
Restricted assets		<u>4,646,406</u>
		<u>\$109,220,003</u>
These balances are composed of the following:		
Deposits (including cash and CDs)		\$ 13,764,849
Investments		<u>95,455,154</u>
		<u>\$109,220,003</u>

### NOTE 3. PROPERTY TAXES

Property taxes are levied on November 1st of each year, at which time taxes become an enforceable lien on property assessed as of the previous January 1st. Tax bills are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available in the month of March of the following calendar year. Taxpayers also have the option of paying their taxes in advance in equal quarterly payments based on the prior year's tax assessment with quarterly discounts varying between 2% and 6%. All unpaid taxes on real

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 3. PROPERTY TAXES (Continued)

and personal property become delinquent on April 1st and bear interest at 18% until a tax sale certificate is sold at auction. Miami-Dade County bills and collects all property taxes for the City, and sells tax certificates for delinquent taxes.

The net assessed value of property, as established by the Miami-Dade County Property Appraiser, at January 1, 1998 upon which the 1998-99 levy was based, was approximately \$1,237,000,000. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on general obligation long-term debt. In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. For the year ended September 30, 1999, the tax rate to finance General Fund operations was 7.131 mils and the Library Fund was .700 mils for a total of 7.831 per \$1,000 of assessed value. The debt service tax rate for the same period was 1.169 per \$1,000 of assessed value.

Property taxes receivable representing collections within 60 days subsequent to September 30 for billings through the fiscal year then ended amounted to approximately \$139,784, \$13,766 and \$22,945 for the general fund, special revenue and debt service funds, respectively.

### NOTE 4. NET INVESTMENT IN SALES-TYPE LEASE

On April 17, 1979, the City entered into a sales-type lease agreement with Miami-Dade Water and Sewer Authority retroactive to May 1978. Under the terms of the lease, the City is receiving payments, which will total \$7,071,438 (including interest) through April 2007, for the use of the City's ocean outfall line.

The lease has been accounted for as a capital (sales-type) lease within the Water and Sewer Enterprise Fund. Interest is imputed at a rate of 6½% over the life of the lease. Proceeds received from the lease agreement are to be used for replacements of water and sewer system assets or paid into the Revolving Fund in accordance with the provisions of the Water and Sewer Revenue Bond ordinances.

The minimum lease payments under this agreement are as follows:

Year ending September 30:	
2000	\$ 238,584
2001	238,584
2002	238,584
2003	238,584
2004	238,584
Thereafter	<u>600,093</u>
Total	1,793,013
Less unearned discount	<u>(377,876)</u>
Balance, September 30, 1999	<u>\$1,415,137</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 5. INTERFUND BALANCES

Interfund balances are receivables/payables from one fund to another for specific purposes. At September 30, 1999, the interfund balances consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Due from/to other funds:</u>		
General	Solid Waste Services	\$ 460,397
	Community Development Block Grant	110,129
	City of Progress Capital Improvement	146,537
	Transportation Gas Tax	65,431
	Recreation Program	3,753
	Pension Obligation Bond	3,503
General Risk Management	Water and Sewer	17,812
	Solid Waste Services	18,337
City of Progress Capital Improvement	Safe Neighborhood Parks	293,817
		<u>\$1,119,716</u>
<u>Interfund receivable/payable:</u>		
General Risk Management	General Fund	\$ 93,707
	Water and Sewer	124,684
	Solid Waste Services	128,358
		<u>\$ 346,749</u>
<u>Advances from/to other funds:</u>		
Health Insurance Trust	Library Fund	\$ 136,202
	General Fund	25,183
		<u>\$ 161,385</u>

### NOTE 6. SEGMENT INFORMATION - ENTERPRISE FUNDS

The City's three enterprise funds are intended to be self-supporting through user fees charged for services to the public. Segment information as of and for the year ended September 30, 1999 is presented below:

	<u>Water and Sewer</u>	<u>Solid Waste Services</u>	<u>Stormwater</u>	<u>Total</u>
Operating revenues	\$15,281,623	\$4,604,384	\$ 878,373	\$20,764,380
Depreciation expense	998,420	3,463	9,087	1,010,970
Operating loss	(155,990)	(68,123)	(26,221)	(250,334)
Operating grants	8,045	94,406	1,257	103,708
Net income (loss)	(5,751)	(61,366)	23,909	(43,208)
Current capital contributions	220,364	-	-	220,364
Fixed asset additions (1)	959,364	-	51,988	1,011,352
Net working capital	3,683,285	346,886	1,374,162	5,404,333
Total assets	38,031,893	859,817	1,602,409	40,494,119
Bonds payable	6,200,000	-	-	6,200,000
Total equity (deficit)	26,744,017	(259,583)	1,519,227	28,003,661

(1) Excludes contributed assets

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 7. DEFICIT FUND BALANCES

The following funds had deficit fund balance/retained earnings at September 30, 1999:

Special Revenue Funds:	
Library Fund	\$ <u>2,174</u>
Recreation Program Fund	\$ <u>4,039</u>
Enterprise Fund:	
Solid Waste services	\$ <u>575,820</u>

The deficit balance in the Solid Waste Services Fund is expected to be funded through an increase in sanitation and recycling fees and a reduction in certain operating costs over the next several fiscal years. In fiscal year 2000, the Library Fund will be closed and included as a department in the General Fund. In fiscal year 2001, the Recreation Program Fund will be closed and included in the General Fund.

### NOTE 8. FIXED ASSETS

The following is a summary of changes in fixed assets for the year ended September 30, 1999:

	Balance September 30, 1998	Additions	Retirements and Transfers	Balance September 30, 1999
General fixed assets:				
Land	\$22,935,844	\$ 983,877	\$ -	\$23,919,721
Building and improvements	18,961,404	198,539	-	19,159,943
Machinery and equipment	4,128,949	956,166	-	5,085,115
Improvements other than buildings	13,652,847	623,286	9,409	14,285,542
Library books	1,412,406	106,143	(23,488)	1,495,061
Construction-in-process	<u>199,296</u>	<u>1,521,729</u>	<u>(9,409)</u>	<u>1,711,616</u>
Total	<u>\$61,290,746</u>	<u>\$4,389,740</u>	<u>\$ (23,488)</u>	<u>\$65,656,998</u>
Enterprise funds:				
Land	\$ 521,847	\$ -	\$ -	\$ 521,847
Buildings and improvements	2,875,253	39,892	-	2,915,145
Machinery and equipment	3,188,978	119,306	-	3,253,951
Improvements other than buildings	<u>34,658,570</u>	<u>869,735</u>	-	<u>35,528,305</u>
	41,244,648	1,028,933	-	42,219,248
Less accumulated depreciation	<u>16,684,442</u>	<u>1,010,970</u>	-	<u>17,641,079</u>
Total	<u>\$24,560,206</u>	<u>\$ 17,963</u>	<u>\$ -</u>	<u>\$24,578,169</u>
Internal service funds:				
Buildings and improvements	\$ 33,773	\$ 8,630	\$ -	\$ 42,403
Improvements other than buildings	268,366	-	-	268,366
Equipment and vehicles	<u>8,814,052</u>	<u>1,592,451</u>	<u>(374,128)</u>	<u>10,032,375</u>
	9,116,191	1,601,081	(374,128)	10,343,144
Less accumulated depreciation	<u>5,698,340</u>	<u>901,775</u>	<u>371,707</u>	<u>6,228,408</u>
Total	<u>\$ 3,417,851</u>	<u>\$ 699,306</u>	<u>\$ (2,421)</u>	<u>\$ 4,114,736</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 8. FIXED ASSETS (Continued)

Commitments related to the acquisition or construction of general fixed assets are shown in the accompanying balance sheet as encumbrances in the Capital Projects fund.

### NOTE 9. GENERAL LONG-TERM DEBT

The following is a summary of changes in general long-term debt of the City for the year ended September 30, 1999:

	Balance September 30, 1998	Additions	Retirements	Balance September 30, 1999
General obligation bonds	\$ 5,875,000	\$ -	\$1,055,000	\$ 4,820,000
Capital improvement bonds	2,791,453	-	885,501	1,905,952
Pension obligation bonds	11,900,000	-	-	11,900,000
Compensated absences	4,369,423	707,792	-	5,077,215
Claims and judgments	-	381,000	-	381,000
Capital leases	-	530,796	150,000	380,796
Other long-term debt (Munisport)	<u>9,000,000</u>	<u>2,700,000</u>	<u>-</u>	<u>11,700,000</u>
Total	<u>\$33,935,876</u>	<u>\$4,319,588</u>	<u>\$2,090,501</u>	<u>\$36,164,963</u>

#### *General Obligation Bonds*

On December 17, 1992, the City issued \$11,220,000 of General Obligation Improvement and Refunding Bonds with interest rates ranging from 2.75% to 6.00% for the purpose of providing funds to pay the cost of acquiring, constructing and equipping a police station facility and to advance refund \$5,870,000 of outstanding 1970 General Obligation bonds (Interama).

The general obligation bonds were issued at a discount (99.79%) and, after paying issuance costs of approximately \$217,000, the net proceeds were approximately \$11,003,000. Net proceeds of approximately \$6,115,000 were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent until the call date of February 1, 1993.

The bonds mature May 1997 through May 2012, with interest payable semiannually on May 1 and November 1. The amount outstanding at September 30, 1999 is \$4,820,000.

#### *Capital Improvement Bonds*

On September 10, 1996, the City issued \$4,496,889 of Capital Improvement Revenue Bonds with an interest rate of 4.875% for the purpose of paying a portion of the cost of the remedial action and the final closure of the Munisport site.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 9. GENERAL LONG-TERM DEBT (Continued)

#### *Capital Improvement Bonds* (Continued)

The bonds are payable from and secured by certain annual grant payments to be made by Miami-Dade County to the City and by a City covenant to budget and appropriate funds from non ad valorem revenues to make up any debt service deficiencies.

The bonds mature on December 1, 2000 with interest payable on December 1, 1996 and semi-annually thereafter on June 1 and December 1. The amount outstanding at September 30, 1999 is \$1,905,952.

#### *Pension Obligation Bonds*

On September 18, 1997, the City issued \$11,900,000 of 1997 Taxable Special Obligation Bonds for the purpose of discharging the unfunded actuarial liabilities of the City's two defined benefit pension plans. By eliminating these unfunded pension liabilities, the City expects to realize an ongoing savings equivalent to the difference between the Pension Plans' 9% per year assumed rate of return and the interest paid on this debt issue. As a result of this action, the City realized a savings at present value of approximately \$1,005,000.

The Bonds, dated September 1, 1997, were issued at a discounted purchase price of \$11,604,892 (discount of \$295,108) and after payment of issuance costs (\$111,828) and a bond insurance policy and debt service reserve fund surety (\$80,146), \$11,412,917 in proceeds were contributed to the Pension Plans to discharge the unfunded liabilities as follows:

CTS Plan	\$10,868,833
748 Plan	<u>544,084</u>
	<u>\$11,412,917</u>

\$4,235,000 of the bonds mature serially beginning on July 1, 2002 and are payable semi-annually on January 1 and July 1. Interest rates on these bonds range from 6.6% to 7.2%. \$7,665,000 are term bonds due on July 1, 2021 and have an interest rate of 7.35%. Interest on all the bonds is payable semi-annually on January 1 and July 1, with the first payment due on January 1, 1998. The amount outstanding at September 30, 1999 is \$11,900,000.

Debt service on these bonds is funded by non-ad valorem revenues budgeted and appropriated by the City on an annual basis. The scheduled payment of principal and interest on the bonds is guaranteed under an insurance policy obtained concurrently with the delivery of the bonds.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 9. GENERAL LONG-TERM DEBT (Continued)

#### *Debt Service Requirements to Maturity on All Debt*

Fiscal Year Ending September 30	General Obligation Bonds	Capital Improvement Bonds	Pension Obligation Bonds	Interest	Total
2000	\$1,100,000	\$ 929,747	\$ -	\$ 1,196,558	\$ 3,226,305
2001	220,000	976,205	-	1,095,101	2,291,306
2002	235,000	-	145,000	1,060,086	1,440,086
2003	245,000	-	355,000	1,032,198	1,632,198
2004	260,000	-	425,000	994,010	1,679,010
2005-2021	<u>2,760,000</u>	<u>-</u>	<u>10,975,000</u>	<u>9,394,047</u>	<u>23,129,047</u>
	<u>\$4,820,000</u>	<u>\$1,905,952</u>	<u>\$11,900,000</u>	<u>\$14,772,000</u>	<u>\$33,397,952</u>

#### *Compensated Absences*

Compensated absences represent the portion of the governmental funds total estimated liability for employees' compensation for future absences in accordance with GASB Statement No. 16.

The estimated liability includes an accrual for salary related costs (employer's share of social security and Medicare taxes). Adjustments were made for employees earning more than the taxable wage base and for certain other exclusions.

The estimated liability is measured using rates in effect at the balance sheet date; benefits are computed at current salary rates at the time of payment. Upon separation from City service, vacation leave is paid at 100% and sick leave is paid at 50%.

The components of the compensated absences liability are as follows:

Total estimated liability for compensated absences	\$4,874,755
Adjusted salary related costs	<u>219,915</u>
Total	5,094,670
Less current portion	<u>17,455</u>
Long-term portion	<u>\$5,077,215</u>

#### *Claims and Judgments*

The City has been named as a defendant in a civil action for breach of contract to recover damages in the amount of approximately \$436,000 in connection with services rendered by plaintiff, an engineering firm, related to the Munisport site. This matter is more fully described in Note 16. The City has disclosed a liability in the General Long-Term Debt Account Group of \$381,000.



# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 9. GENERAL LONG-TERM DEBT (Continued)

#### *Capital Leases*

In accordance with an interlocal agreement between Miami-Dade County and the City of North Miami, the City agreed to reimburse Miami-Dade County for the purchase of an 800 Megahertz trucking radio communication system for use by the City of North Miami Police Department. The cost of the radio equipment was \$530,796 with repayment over a period of time (not to exceed 10 years) at an interest rate of 7.3558% on the outstanding balance. During fiscal year 1999, \$150,000, representing principal, was paid in accordance with the terms of the agreement. The remaining balance at September 30, 1999 is \$380,796.

Subsequent to year end, in November 1999, the City was given the option by Miami-Dade County of paying the balance in full with all interest waived. In December 1999, the City paid the full amount of the remaining balance, \$380,796. Funds were borrowed from the Health Insurance Trust Fund and will be repaid over the next 5 years.

#### *Other Long-Term Debt*

The City of North Miami is required, pursuant to a February 1998 Consent Agreement with the Miami-Dade County Department of Environmental Resources Management to address environmental matters regarding the Munisport landfill site (Interama property).

In 1995, the City's management and their consultants prepared a Superfund Remediation and Landfill Closure Projection which estimated the City's liability at a cost of between \$11-\$16 million. The projection covered administration, engineering, construction and operating costs for a five-year period from 1995 through 1999. Pursuant to an updated cost projection prepared in 1999, the City estimates its liability at approximately \$11.7 million. During 1999, the City expended approximately \$1,835,000 in closure costs.

For historical background, recent developments and potential funding sources see Note 16.

### NOTE 10. WATER AND SEWER REVENUE BONDS

In 1963, 1964, and 1965, the City issued \$8,000,000, \$4,850,000 and \$3,300,000, respectively, of Water and Sewer Revenue Refunding and Improvement Bonds to make improvements and extensions to the Water and Sewer Utility of the City and to refund certain then outstanding revenue bonds.

The ordinances require a monthly transfer to restricted asset accounts of amounts equal to one-sixth of the interest becoming due on the next interest payment date and one-twelfth of the amount of principal due on the next payment date. The ordinances also require that the restricted assets include an aggregate balance equal to the maximum amount of principal and interest becoming due in any succeeding year for all issues outstanding. These balances were maintained during fiscal year 1999 in accordance with these requirements.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 10. WATER AND SEWER REVENUE BONDS (Continued)

The ordinances also require that certain funds be established and specify the order in which pledged proceeds are to be deposited into these funds. These funds, and the order of priority in which proceeds are deposited, are as follows: Revenue Fund, Operation and Maintenance Fund, Sinking Funds and Renewal and Replacement Fund.

Cash, investments and accrued interest receivable in the various sinking funds are classified as restricted assets, amounts payable from said restricted assets and the reservation of retained earnings for retirement and sinking funds recorded in the Water and Sewer Utility Enterprise fund at September 30, 1999, are as follows:

	Restricted Assets	Payable from Restricted Assets	Reserved Retained Earnings
1963 issue - revenue refunding and improvement bonds	\$ 661,906	\$368,168	\$ 293,738
1964 issue - subordinated revenue certificates	1,354,642	13,025	1,341,617
1965 issue - subordinated revenue certificates	1,785,336	98,567	1,686,769
Renewal and replacement fund	<u>844,522</u>	<u>289,448</u>	<u>555,074</u>
	<u>\$4,646,406</u>	<u>\$769,208</u>	<u>\$3,877,198</u>

Restricted assets consist of the following:

Cash and short-term investments	\$1,489,483
Cash with fiscal agents	24,405
Certificates of deposit	2,260,000
U.S. Government obligations	842,458
Accrued interest receivable	13,915
Other receivables	<u>16,145</u>
	<u>\$4,646,406</u>

Payables from restricted assets consist of the following:

Current bond principal	\$ 415,000
Accrued interest payable	41,707
Matured bonds and interest payable	23,053
Performance bonds and deposits	281,687
Other payables	<u>7,761</u>
	<u>\$ 769,208</u>

The ordinances restrict the issuance of additional Water and Sewer bonds ranking on a parity with those outstanding, unless the net revenues, exclusive of depreciation, have been equal to 125% of the maximum annual principal and interest requirements on all revenue bonds outstanding for each of the two preceding fiscal years. The net revenues requirements were met in 1998 and 1999.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 10. WATER AND SEWER REVENUE BONDS (Continued)

Water and Sewer Revenue Refunding and Improvement Bonds consist of the following at September 30, 1999:

<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Series 1963, 2/1/2003 (annual serial payments of \$350,000 to \$395,000)	3.9%	\$1,490,000
Series 1964, 2/1/2004 (\$2,500,000 due in 2004)	3.0	2,500,000
Series 1965, 8/1/2005 (annual serial payments of \$65,000 to \$70,000 with \$1,870,000 due in 2005)	5.3	<u>2,210,000</u>
		6,200,000
Less current portion		415,000
Less unamortized discount		<u>26,796</u>
Long-term portion		<u>\$5,758,204</u>

Debt service requirements through maturity on these bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2000	\$ 415,000	\$ 243,415	\$ 658,415
2001	430,000	226,027	656,027
2002	450,000	208,055	658,055
2003	465,000	189,233	654,233
2004	2,570,000	140,320	2,710,320
2005	<u>1,870,000</u>	<u>99,110</u>	<u>1,969,110</u>
	<u>\$6,200,000</u>	<u>\$1,106,160</u>	<u>\$7,306,160</u>

### NOTE 11. CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital for the year ended September 30, 1999:

	<u>Water and Sewer Utility</u>	<u>Solid Waste Services</u>	<u>Fleet Management</u>
Balance, September 30, 1998	\$8,959,722	\$316,237	\$4,089,497
Connection fees	202,783	-	-
Contributed assets:			
City	-	-	189,056
Developers and other	<u>17,580</u>	<u>-</u>	<u>-</u>
Total additions	220,363	-	189,056
1999 depreciation on contributed assets	<u>(259,184)</u>	<u>-</u>	<u>-</u>
Balance, September 30, 1999	<u>\$8,920,901</u>	<u>\$316,237</u>	<u>\$4,278,553</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 11. CONTRIBUTED CAPITAL (Continued)

The Fleet Management Fund accounts for depreciation as an operating expense since its user charges to the other funds are established to recover this cost.

### NOTE 12. RECONCILIATION OF BUDGETED AND ACTUAL RESULTS

The governmental fund budgets of the City are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that the budgets of the general, special revenue and capital projects funds include encumbrances as the equivalent of expenditures and certain grants as revenues when received. Additionally, interfund loans between funds are budgeted as operating transfers.

The following adjustments were necessary to present the actual data on a budgetary basis at September 30, 1999:

	General <u>Fund</u>	Special Revenue <u>Funds</u>	Capital Project <u>Funds</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses - (GAAP) Exhibit II			
September 30, 1998 encumbrances budgeted as 1998 expenditures	\$ 660,389	\$(1,302,755)	\$ (406,957)
September 30, 1999 encumbrances budgeted as 1999 expenditures	197,128	199,296	113,921
Interfund loans budgeted as an operating transfer	(707,734)	(890,522)	(822,457)
Excess (deficiency) of revenues and other sources over expenditures and other uses - (budgetary basis) Exhibit III	<u>(6,296)</u>	<u>136,202</u>	<u>-</u>
	<u>\$ 143,487</u>	<u>\$(1,857,779)</u>	<u>\$(1,115,493)</u>

Expenditures did not exceed appropriations in any sub-fund. In the landfill closure fund, physical environment expenditures primarily for litigation costs exceeded the budgeted appropriation for these services. However, at the budgetary level of control (the fund level) total expenditures did not exceed appropriations in this sub-fund.

The operating transfer to the component unit on a GAAP basis, is included as cultural/recreational expenditures of the general fund on a budgetary basis.

### NOTE 13. SELF-INSURANCE

The City maintains one self-insurance program within the Internal Service Funds. The General Risk Management Fund was established by City Ordinance to account for insurance activities relating to workers' compensation and general liability risks. Charges to departments are based upon amounts determined by management to be necessary to meet the required annual payouts during the fiscal year and to maintain adequate fund reserves.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 13. SELF-INSURANCE (Continued)

The City is exposed to various risks of loss for workers compensation and general liability. The City is exposed to other various risks of loss, related to theft, errors and omissions, for which the City carries commercial insurance. As of September 30, 1999, the City's risk retention for certain types of risk is as follows:

	<u>Retention/Deductible</u>	<u>Coverage</u> _____ <u>after</u> <u>Retention/Deductible</u>
Self-Insured:		
Workers' Compensation	Self-insured first dollar coverage to \$250,000	See below
Excess Workers' Compensation	\$250,000	Specific Excess Limit: Statutory Employers' Liability: \$1 million/\$1 million
General liability (includes automobile)	Self-insured	F.S. 768.28 (\$100,000/individual, \$200,000/occurrence).
Commercial Insurance:		
Property:		
Property, multi-peril	\$5,000	\$27,711,175
Boiler and machinery	\$1,000	\$50,000,000
Flood	Buildings: \$500 to \$1,000 Contents: \$500 to \$750 varies according to facility	Buildings: \$25,000 to \$200,000 Contents: \$ 5,000 to \$200,000 varies according to facility
Other:		
Police professional liability	\$15,000/claim \$45,000 annual aggregate	\$1,100,000/person, \$1,200,000/incident, \$1,300,000/aggregate
Public officials' liability	\$25,000	\$1,000,000/loss and aggregate.

### ***Group Health***

Effective January 1, 1998, the City's self-insured health program was discontinued and the City purchased a fully insured group health/dental plan. Beginning in fiscal year 2000, remaining funds in the Health Insurance Trust fund will be appropriated for the purpose of providing health insurance premiums for City employees and officers. The appropriation of funds will be amortized over a minimum of five years. As of September 30, 1999, the City continues to disclose an estimated liability for reported claims and claims incurred but not reported (IBNR) of approximately \$90,000.

The General Risk Management Internal Service Fund consists of the following:

### ***Workers' Compensation***

All workers' compensation costs are paid from the self-insurance fund, with all operating funds of the City assessed a charge based upon the requirements of the self-insurance fund and their relative share of the total risk. As claims are reported they are investigated by claims personnel, and an estimate of liability on a case-by-case basis is established. The estimated liabilities are periodically reviewed and revised as claims develop.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 13. SELF-INSURANCE (Continued)

#### *Workers' Compensation* (Continued)

The City purchases specific excess Workers' Compensation insurance coverage for individual claims in excess of \$250,000.

#### *General Liability*

Departments of the City are assessed for general and automobile liability coverage based upon the requirements of the self-insurance fund and their relative share of the total risk. The City has continued to purchase certain casualty insurance for which the premium is small in relation to the coverage provided. As the casualty claims are reported, they are investigated by the claims personnel and an estimate of liability on a case-by-case basis is established.

#### *Estimated Claims Liability*

The total estimated claims liability at September 30, 1999 consists of the following:

Workers' compensation	\$2,192,557
General liability	<u>629,360</u>
	<u>\$2,821,917</u>

The estimated claims liability of \$2,821,917 included in the General Risk Management Fund is the result of estimates for claims incurred but not reported (IBNR) and allocated loss adjustment expenses (ALAE). The estimates are based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the estimated claims liability are as follows:

			1999		1998
	Workers'	General	General	Group	General and
	Compensation	Liability	Risk	Health	Group Health
			Total	Risk	Risk
Estimated claims liability at beginning of year	\$1,953,000	\$ 641,000	\$2,594,000	\$90,000	\$ 3,588,222
Current year claims and changes in estimates (including IBNR)	756,000	160,000	916,000	8,037	435,122
Claim payments	<u>(516,443)</u>	<u>(171,640)</u>	<u>(688,083)</u>	<u>(8,037)</u>	<u>(1,339,344)</u>
Estimated claims liability at end of year	<u>\$2,192,557</u>	<u>\$ 629,360</u>	<u>\$2,821,917</u>	<u>\$90,000</u>	<u>\$ 2,684,000</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 13. SELF-INSURANCE (Continued)

#### *Estimated Claims Liability*

In 1992, the City, through the General Risk Management Fund, assessed user funds a special premium charge in an amount to fully cover existing operating deficits. The total assessment of \$1,526,054 was allocated as follows: \$885,000 was charged to the General Fund, \$366,000 was charged to the Water and Sewer Utility Fund, and \$275,054 was charged to the Solid Waste Services Fund. These charges are being funded over several years, and as such are recorded as interfund receivables/payables (see Note 5).

During 1999, there were no significant reductions in insurance coverage from coverages in the prior year. During the past three years, there have been no settlements that exceeded insurance coverage.

### NOTE 14. EMPLOYEE RETIREMENT PLANS

#### **a. Plan Descriptions**

The City's Public Employee Retirement Systems (PERS) administers two single employer defined benefit pension plans established to provide pension, disability and death benefits for its employees and beneficiaries: Clair T. Singerman Employees' Retirement System Plan (CTS Plan) and Retirement System for Sworn Police Personnel Hired on or After January 1, 1977 (748 Plan). The CTS Plan was established by Ordinance 691 effective January 1, 1968. On January 1, 1977, the City froze future participation in the CTS Plan and established the 748 Plan by Ordinance 748 for all employees hired after that date and for all employees under the CTS Plan who elected to join the new plan. The plans cover substantially all City employees under the administration of separate Boards of Trustees.

On April 3, 1994, the City transferred all general employees, which were in the 748 Plan to the CTS Plan, thereby limiting 748 plan participation to sworn police personnel hired after January 1, 1977. The CTS plan covers police officers hired before January 1, 1977 and all general employees and former North Miami firefighters.

Each of the plans issues a publicly available report that includes financial statements and required supplementary information for the Plan. These reports may be obtained by writing to: North Miami Employees' Retirement Systems, 776 N.E. 125 Street, North Miami, Florida 33161.

#### ***Contributions and Funding Policy***

##### **748 Plan**

Employees contribute 3% of their compensation. Interest is credited annually on employees' accumulated contributions at a rate of interest determined at the discretion of the Board of Trustees, but not less than 3%. The interest rate was 4.75% for 1999 and 1998, respectively. Employer contributions for fiscal year ended September 30, 1999 were 7.85% of covered payroll.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 14. EMPLOYEE RETIREMENT PLANS (Continued)

#### a. Plan Descriptions (Continued)

##### *Contributions and Funding Policy* (Continued)

###### CTS Plan

Employees contribute 7% of their compensation. Interest is credited annually on employees' accumulated contributions through the prior year end. The interest rate, determined by the Board of Trustees, was 4.50% in 1999 and 4.75% in 1998. Employer contributions for fiscal year ended September 30, 1999 were 3.81% of covered payroll.

Both Plan's funding policies provide for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due.

#### b. Summary of Significant Accounting Policies

##### *Basis of Accounting*

The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

##### *Method Used to Value Investments*

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported as investment earnings. Realized gains and losses are determined on the basis of specific cost.

##### *Annual Pension Cost and Net Pension Asset*

The City's annual pension cost and net pension asset of the CTS Plan for the current and prior year were as follows:

	<u>1999</u>	<u>1998</u>
Annual required contribution	\$559,917	\$786,027
Interest on net pension asset	(3,404)	(3,243)
Adjustment to annual required contribution	<u>4,981</u>	<u>4,427</u>
Annual pension cost	561,494	787,211
Contributions made	<u>559,917</u>	<u>789,000</u>
Increase (decrease) in net pension asset	(1,577)	1,789
Net pension asset, beginning of year	<u>37,821</u>	<u>36,032</u>
Net pension asset, end of year	<u>\$ 36,244</u>	<u>\$ 37,821</u>



# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 14. EMPLOYEE RETIREMENT PLANS (Continued)

#### b. Summary of Significant Accounting Policies (Continued)

##### *Annual Pension Cost and Net Pension Asset (Continued)*

The annual required contribution for the current year was determined as part of the October 1, 1997 actuarial valuation using the entry age actuarial cost method for the firefighters and the aggregate actuarial cost method for the general employees and the police officers. The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) and (b) projected salary increases of 6-7% per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using the level dollar closed basis. The remaining amortization period was 9 years.

The City's annual pension cost and net pension asset of the 748 Plan for the current and prior year were as follows:

	<u>1999</u>	<u>1998</u>
Annual required contribution	\$353,245	\$424,916
Interest on net pension asset	(2,195)	(2,277)
Adjustment to annual required contribution	<u>2,416</u>	<u>3,192</u>
Annual pension cost	353,466	425,831
Contributions made	<u>353,245</u>	<u>424,916</u>
Decrease in net pension asset	(221)	(915)
Net pension asset, beginning of year	<u>24,387</u>	<u>25,302</u>
Net pension asset, end of year	<u>\$ 24,166</u>	<u>\$ 24,387</u>

The annual required contribution for the current year was determined as part of the October 1, 1997 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 9% investment rate of return (net of administrative expenses) and (b) projected salary increases of 7% per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using 75% of market value and 25% of cost value of investments. The Plan uses the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities.

#### Clair T. Singerman Employees Retirement System Three-Year Trend Information (Dollars in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 1997	\$1,762	99.9%	\$36
September 30, 1998	787	100.2	38
September 30, 1999	561	99.7	36

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 14. EMPLOYEE RETIREMENT PLANS (Continued)

#### b. Summary of Significant Accounting Policies (Continued)

##### *Annual Pension Cost and Net Pension Asset* (Continued)

Retirement System for Sworn Police Personnel Hired on or After January 1, 1977  
Three-Year Trend Information  
(Dollars in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 1997	\$559	99.8%	\$25
September 30, 1998	425	99.8	24
September 30, 1999	353	99.9	24

##### *Required Supplementary Information*

The following schedule is required under GASB 25 for plans that do not use the aggregate actuarial cost method. The 748 Plan uses the aggregate method and therefore the schedule of funding progress is not required and has not been presented.

#### Clair T. Singerman Employees Retirement System Schedule of Funding Progress (Dollar Amounts in Thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
10/1/93	\$26,407	\$26,836	\$ 429	98.4%	\$ 2,298	18.7%
10/1/95	38,882	50,249	11,366	77.4	13,195	86.1
10/1/97	52,073	52,299	226	99.6	13,044	1.7

(1) During fiscal year 1997, the City issued pension obligation bonds to cover the UAAL.

### NOTE 15. DEFINED CONTRIBUTION PLANS

The City of North Miami Police Officers' Retirement Pension Fund Share Plan (Ord. 592.1.1) (the Plan) was established to provide retirement benefits for police officers of the City of North Miami. These benefits are funded from the State of Florida insurance premium tax monies and are in addition to benefits provided by the City of North Miami's retirement system. A separate Board of Trustees is responsible for the administration of this Plan. In accordance with GASB No. 24, the City recognized revenues and expenditures in the amount of \$135,779 as on behalf payments for contributions of these premiums into the Plan.

# **CITY OF NORTH MIAMI, FLORIDA**

## **NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)**

### **NOTE 15. DEFINED CONTRIBUTION PLANS (Continued)**

The Plan issues a publicly available report that includes financial statements and required supplementary information. This report may be obtained by writing to: City of North Miami Police Department, 700 N. E. 124th Street, North Miami, Florida 33161.

The City administers the City of North Miami Department Managers' Pension Plan, an IRS Section 403(a) defined contribution pension plan for department managers. This plan is funded through employer contributions consisting of 10% of a participant's compensation. This Plan can only be amended by the City Council.

During fiscal year 1999, the City contributed approximately \$77,399 into this plan which is administered through a third party administrator.

### **NOTE 16. CONTINGENCIES**

#### **a. Environmental Matters (Interama Property)**

##### **(i) Historical Background**

In 1970, the City acquired 350 acres of land (Interama Land), for approximately \$11,800,000, included in the General Fixed Assets Account Group, in connection with the issuance of the \$12,000,000 General Obligation Bonds, issued to provide financial assistance to the Inter-American Center Authority (Interama), an agency established by the State of Florida to develop an international cultural and trade center for the Americas. The project never materialized. Interama has never repaid the City for the bond proceeds. The City subsequently entered into a 30-year lease agreement with a company (Lessee) formed to develop a recreation project on the Interama Land. The Lessee subsequently used a portion of the property as a dumpsite, and the property has since been the subject of controversy arising principally from site related environmental issues involving the City, the Lessee, various governmental agencies and others, which controversy has restricted its use and development. Accordingly, the recreation project was never completed and the Lessee abandoned the premises.

In 1981, the Florida Department of Environmental Regulation (DER) filed a suit against the City and the Lessee to close the portion of the Interama Land, which the Lessee operated as a dumpsite (landfill). The landfill has not operated since 1980 and the City and State have been working together to produce a closure plan for implementation. Subsequent to the issuance of a draft of a joint City and DER engineering study in 1987, DER acknowledged that the decision of when to initiate closure and implementation of the closure would not be feasible until the United States Environmental Protection Agency (EPA) completed its Remedial Investigation/ Feasibility Study and the results were examined by the City.

Initially, approximately 291 acres of the Interama Land was included on the National Priorities List (NPL), pursuant to Section 105 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA).

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 16. CONTINGENCIES (Continued)

#### a. Environmental Matters (Interama Property) (Continued)

##### (ii) Recent Studies and Developments

A final Remedial Investigation Report and a Feasibility Study Report were published by EPA in 1988. The EPA issued its Record of Decision on this study, dated July 26, 1990 which reduced the size of the site to remain on the NPL to 33+ acres. The specific 33+ acres are described in a Consent Decree negotiated between the City and the EPA. This narrowing of the site will greatly facilitate the City's potential to attract a public-use-oriented developer to contribute part of the ultimate costs of the site closure remedy. The Consent Decree was approved by the Court in March 1992. In September 1997, the EPA's Record of Decision was amended to indicate that no further remedial action was required by the City. The EPA issued a certificate of completion on June 3, 1998. The consent decree was dismissed and the site was removed from the National Priorities List during 1999.

On February 10, 1998, the City voluntarily executed a Consent Agreement with the Miami-Dade County Department of Environmental Resources Management (DERM) to carry out groundwater remedial measures required by Florida law and County ordinance. The Consent Agreement anticipates that the Florida Department of Environmental Protection (FDEP) will delegate to DERM oversight of the landfill closure activities, in order to bring all regulatory controls under the auspices of a single agency.

In 1995, the City's management, along with their consultants prepared a Superfund Remediation and Landfill Closure Cost Projection which estimated the City's liability at a cost between \$11-\$16 million. The projection covered a five-year period from 1995 to 1999 and included engineering, administration, construction and operation costs. Pursuant to an updated cost projection prepared in 1999, the City estimates its liability at \$11.7 million. This liability is recorded in the General Long Term Debt Account Group.

During 1999, the City incurred approximately \$1,835,000 in site closure costs, which are reported in the Landfill Closure fund. Approximately \$1,043,000 in capital outlays were expended with approximately \$980,000 of this amount capitalized as costs to the land and reported in the general fixed assets account group.

The City anticipates the balance of the liability will be funded by several sources of revenue from outside the City.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 16. CONTINGENCIES (Continued)

#### a. Environmental Matters (Interama Property) (Continued)

##### (iii) Revenue Sources

###### (a) State Assistance (Grants/Contracts):

A portion of the necessary final study and design work for the remediation of the 33+ acre site was funded through a contract between the City and DER, dated November 1990, at a total anticipated cost not to exceed \$1.4 million. The work plan for this study included a portion of the plans required by the EPA's scope of work, as adopted as a component of the Consent Decree entered into between the EPA and the City. The joint State/City effort related to the site again continued when the City successfully petitioned the Florida Legislature for funding assistance toward the actual Superfund site remedial construction in the 1992 legislative session and received a legislative commitment for a \$2.6 million grant via Chapter 92-30 Laws of Florida. The City has recognized approximately \$3,858,000 in revenues from these sources.

###### (b) Other State Assistance:

The City's continued success in obtaining assistance from the State of Florida is based on the fact that the State did not repay the City for the 1970 bond proceeds. The 1989 Florida Legislature provided some assistance to the City via adoption of H.B. 709 (Chapter 89-246, Laws of Florida) which gave certain surplus State lands at Interama to the City. The deed for the lands was received by the City in December 1989. On the May 1990 election ballot, the City's voters approved the sale of these lands. All parcels have been sold. The sale of these lands produced \$3,671,712 in revenues.

##### (iv) Other Revenue Sources

###### (a) Litigation against Potentially Responsible Parties:

In 1994, the City recovered \$900,000 and the 30 acre Bessemer parcel from the former dumpsite operation. The value of the land received in the settlement was estimated at \$500,000, and is recorded in the General Fixed Assets Account Group.

To date, the City has recognized approximately \$1,946,000 in Munisport litigation proceeds, in addition to the parcel of land.

###### (b) Proceeds from Issuance of Capital Improvement Revenue Bonds:

During 1996, the City issued approximately \$4.5 million in Capital Improvement Revenue Bonds to fund a portion of the cost of the Superfund Remedy and the final closure of the Munisport site. The bonds are to be repaid over a 5-year period which began in fiscal year 1997, and are payable from and secured by certain annual grant payments to be received from Miami-Dade County, Florida.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 16. CONTINGENCIES (Continued)

#### a. Environmental Matters (Interama Property) (Continued)

##### (iv) Other Revenue Sources (Continued)

###### (c) Grant Agreement:

The City entered into a Grant Agreement with Miami-Dade County, Florida for a twenty year term in which the County has agreed to provide an annual grant to the City not to exceed \$1,000,000 which commenced on October 1, 1996 and thereafter each year during the term of the Agreement. Grant funds will be utilized solely to pay the cost of the remedial action and the final closure of the Munisport site, including debt service on the Capital Improvement Revenue Bonds.

##### (v) Overall Outlook

In the final analysis, it is the inherent and useable value for the City's 350 acres of Interama land which disperses the potential for an ultimate or net loss concerning the environmental matters. For example, the 27 acres of City property located north of 151st Street was sold to Miami-Dade County for \$1.62 million, while taking into consideration the wetland status of the property. This sale was closed in August 1993. A 1992 preliminary appraisal of a northwestern 104-acre portion of the 170-acre landfill reflects an estimated value of \$8 million.

It is the City's opinion that any ultimate loss to the City concerning the environmental matters pertaining to the former Munisport site may be offset by future use of the land.

#### b. Other

The City has been named as a defendant in a civil action for breach of contract to recover damages in the amount of approximately \$436,000 in connection with services rendered by plaintiff, an engineering firm, related to the Munisport site. The City filed a counterclaim for breach of contract seeking damages in the amount of \$1,400,000. The jury returned a verdict in favor of the plaintiff for breach of contract in the amount of \$380,284, and also returned a verdict in favor of the City against the plaintiff for breach of contract in the amount of \$114,000, resulting in a net verdict in favor of plaintiff of \$266,284. The Court, however, has reduced the City claim to \$0 due to previously collected set-offs from prior litigation. Plaintiff's federal CERCLA cost recovery claim against the City and the City's CERCLA contribution claim against plaintiff remains to be tried in the federal court. It is possible, but unlikely, that an adverse decision by the court will result in any additional liability to the City. Accordingly, the City has recorded a liability in the General Long-Term Debt Account Group for \$381,000.

The City is a defendant in several additional lawsuits as of September 30, 1999, incidental to its operations, the outcomes of which are uncertain at this time. However, in the opinion of management and legal counsel, the ultimate outcome of such actions will not have a material adverse affect on the financial condition of the City.

# **CITY OF NORTH MIAMI, FLORIDA**

## **NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)**

### **NOTE 16. CONTINGENCIES (Continued)**

#### **c. Contingent Liabilities**

Federal and State programs in which the City participates were audited in accordance with the provisions of the Single Audit Act, the U.S. Office of Management and Budget Circular A-133, and the Florida Statutes. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would be immaterial.

### **NOTE 17. POST EMPLOYMENT BENEFITS**

In addition to pension benefits described in Note 14, the City offers post retirement health care and group term life insurance benefits to all retirees who elect to pay the associated premiums and receive the benefits. The benefits are the same as those offered active employees - health and dental insurance in the City's group health plan and \$5,000 life insurance policy. Retirees can insure eligible dependents. The premium cost is paid entirely by the retirees and is at the same rate as that charged to City employees. In fiscal year 1999, there were approximately 36 health and dental retiree members and approximately 88 life insurance members.

In accordance with the October 1, 1994 Police Bargaining Agreement between the City of North Miami and the Dade County Police Benevolent Association, the City pays the full cost of health insurance premiums for children and minor dependents of officers killed in the line of duty, provided they were covered by the City's health insurance plan at the time of the officer's death. The coverage continues until such children/minor dependents attain the age of 18 or the age of 23 for full-time students. Currently, 5 children/minor dependents meet those eligibility requirements.

In fiscal year 1997, the City offered a one-time Retirement Incentive to employees who had at least twenty years of City service and who were at least 50 years of age. The incentive was City paid group health premiums until age 65. Nine employees took advantage of this incentive. The annual budget includes premiums for this group of employees and for children/minor dependents of officers killed in the line of duty. Fiscal year 1999 expenditures for these benefits totaled \$17,660 and \$7,981, respectively.

Effective October 1, 1997, the City provides paid group health insurance premiums until age 65, for elected officials of the City who have served a minimum of eight years and their tenure as an elected official commenced after May 23, 1989.

# **CITY OF NORTH MIAMI, FLORIDA**

## **NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)**

### **NOTE 18. NON-COMMITMENT DEBT**

In July 1992, the City issued \$21,115,000 in Health Care Facilities Revenue Bonds to provide funds to the Affordable Community Housing Trust, a non-profit public benefit corporation, for the acquisition of an independent elderly living facility (the Imperial Club Project). In November 1998, the City issued \$25,040,000 in Health Care Facilities Revenue Bonds for the purpose of currently refunding the \$20,515,000 principal amount outstanding of City of North Miami Health Care Facilities Revenue Bonds (the Imperial Club Project), Series 1992 and to provide financing for the cost of certain additional capital improvements to the facility. In 1999, the City received \$174,976 in fees relating to the bond issuance.

In January 1994, the City issued \$23,640,000 in Educational Facilities Revenue Bonds to provide financial assistance to Johnson & Wales University, a non-profit corporation, for the acquisition and renovation of facilities to accommodate the University's post-secondary culinary arts program in the City of North Miami. In 1999, the City received an annual issuers fee in the amount of \$23,640.

The City acts solely as a lawful conduit in the issuance of these bonds and is not liable in any manner. The amount of debt outstanding as of September 30, 1999 was \$25,040,000 and \$23,640,000, respectively.